



Christchurch
City Holdings
Limited

ANNUAL SUSTAINABLE FINANCE REPORT

For year ending 30 June 2022





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UPDATE FROM THE CCHL CHAIR

Welcome to our first Sustainable Finance Report.

For our city, our community, our country and our planet, there is little doubt that the effects of climate change and our efforts to transition to a lower impact economy and society are key challenges that will increasingly occupy us over the coming decades.

Sustainability has been a core focus for the CCHL group for some time. Across our business, we have been focussed on not just measuring our own impacts; we have also been concentrating on planning to help prepare our community for the broad range of climate-driven effects we will face in the future.

CCHL's Sustainability Bond, issued under our Sustainable Finance Framework, is an important part of this approach. It reflects our commitment to achieving key environmental goals – in particular, the sustainable use of energy. But, as importantly, the Framework is also a commitment to providing a broad range of social benefits, which will help ensure our community is more resilient and better equipped to face the future, with more equitable opportunities for everyone living in our city and region.

This approach also represents a commitment to the long-term future of our city – something that is underscored by our intergenerational approach to the management of our assets. From supporting business through the COVID lockdown, to the provision of high-speed internet to enhance services supplied by local education and healthcare providers, Enable's fibre optic network is now part of our city's essential infrastructure.

Enable's fibre optic network is also an asset that is designed to maximise our opportunities in the future, to broaden access to information and technology, underpin shared economic growth and support key structural transitions, such as reducing the requirement to travel by providing reliable virtual communication. Given the organisation is doing this in a way that is both affordable and highly energy-efficient, our investment in Enable was the perfect candidate to be funded by our first Sustainability Bond.

On behalf of the CCHL Board, I'm extremely proud to bring you the first annual Sustainable Finance Report. The success of the initial bond offering, and the level of demand we saw at launch, not only reinforces the quality of the underlying asset; it also highlights the growing commitment of investors to make investments which not only provide stable returns but also wide ranging environmental and social benefits for local communities. We look forward continuing our approach in this area, under the CCHL Sustainable Finance Framework.

JEREMY SMITH
CCHL Chair



OUR SUSTAINABLE FINANCE JOURNEY

Sustainability is an integral part of CCHL's operation. CCHL, which holds key infrastructure assets for the city, provides a wide range of returns to the Christchurch community – our ultimate owners. From strong governance and prudent economic management to a commitment to investing in people, the environment and the broader community, we are focused on seeing an overall improvement in wellbeing, prosperity and social and economic opportunities for the whole region.



As intergenerational guardians, CCHL looks beyond financial stability as a measure of success to our responsibility to the Christchurch community – not only now, but for future generations. To recognise the focus, leadership, and investment in sustainability to date, and to extend and develop this approach over time, CCHL has developed our Sustainable Finance Framework.

CCHL's Sustainable Finance Framework was adopted by the CCHL Board in October 2021. The initial priority of the Framework was to support the refinancing of debt relating to our investment in the Enable fibre-optic network. The construction of the city's fibre network was funded in part by a loan from Crown Infrastructure Partners to CCHL, and our first Sustainability Bond was used to refinance this original construction loan.

However, the Framework has been designed to be broad enough to support the financing or refinancing of investment in any business, projects, assets, or activities that deliver positive environmental and social goals, particularly those that are consistent with the UN's Sustainable Development Goals (SDGs). The SDGs include a wide range of targets, from reducing poverty and hunger, to supporting climate action and providing affordable clean energy, as well as the development of sustainable cities and investment in innovation and infrastructure.



TERRACE

Lift to level 1
Bars & Restaurants

CCHL SUSTAINABILITY BOND – USE OF PROCEEDS

The CCHL Sustainability Bond of \$150m was issued to refinance a \$159m loan provided by Crown Infrastructure Partners (CIP) for the construction of the Enable high-speed fibre network.



The CIP loan matured in May 2021 and was initially funded by \$150m of short-term bridging finance - the \$9m balance of the CIP loan was repaid from general cash flows. Proceeds of the \$150m Sustainability Bond issued in November were used to repay this bridging finance.



OVERVIEW OF SUSTAINABILITY BOND ISSUE

CCHL closed its first Sustainability Bond offer in late October 2021, with \$150 million allocated.

Having received significant interest – with firm offers representing more than double the initial bond offer (\$100 million plus an allowance of \$50 million for oversubscriptions) – the issue margin for the fixed rate sustainability bonds was set at 0.35% per annum. This was reduced from the initial indicative margin range of 0.37% to 0.42%, given the scale of interest in the offer.

After completion of the bookbuild process, the fixed interest rate for the bonds was set at 3.01%.

The successful launch of the bond – only the second sustainability bond issued in New Zealand – is a major milestone that reflects CCHL's approach to providing long-term economic, social and environmental returns to the city and region. Recognising the integral role of sustainability in its business, CCHL has been working to establish a new framework that would enable it to increase its leadership and investment in sustainability, while providing the platform for future growth in this area.

KEY TERMS OF THE SUSTAINABILITY BOND ISSUE ARE SHOWN IN THE TABLE BELOW.

Issue rating	AA- positive outlook (S&P Global Ratings)
Instrument	CCH 05/11/2026 3.01% Christchurch City Holdings Limited Bonds
Sustainability bond principles assurance	Assurance from EY confirming that CCHL's Sustainable Finance Framework continues to meet the Social Bond Principles 2021, Green Bond Principles 2021 and Sustainability Bond Guidelines 2021
Tenor	5 years
Issue date	5 November 2021
Maturity date	5 November 2026
Issue amount (NZD \$m)	150
Coupon	3.010%
ISIN	NZCCHDT895C5
NZX Code	CCH030



VALUE OF ELIGIBLE ASSETS

ELIGIBLE ASSET SCHEDULE/REGISTER AS AT 30 JUNE 2022

The net proceeds of CCHL's Sustainability Bond offer have been notionally allocated in accordance with CCHL's Sustainable Finance Framework (dated October 2021) for projects identified for positive environmental and/or social outcomes. Terms defined in CCHL's Sustainable Finance Framework have the same meaning when used in this Schedule/Register.

Eligible Assets are consistent with the sustainable finance Market Standards, being the ICMA Sustainability Bond Guidelines, Green Bond Principles (GBP) and Social Bond Principles (SBP).

At the time of issuance, the proceeds of CCHL's Sustainability Bond were notionally allocated in full to the Eligible Assets outlined in the below table.

Eligible Asset	Description	Location	CCHL Shareholding (%) ¹	Asset Value, as at 30 June 2022 (NZD \$m) ²	Eligible Categories (GBP)	Eligible Categories (SBP)	Target Population (SBP)	SDG Alignment
The Enable Fibre Optic Network ¹	Construction, development, maintenance and operation of ultra-fast fibre network and infrastructure.	Greater Christchurch, New Zealand	100%	\$523	Energy Efficiency		-	SDG 7 - Renewable Energy (Target 7.3: Double the rate of improvement in energy efficiency). SDG 9 - Innovation & Infrastructure (Target 9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes).
					-	Affordable Basic Infrastructure	Underserved, owing to a lack of essential goods and services Living below the poverty line Undereducated Unemployed	SDG 9 - Innovation & Infrastructure (Target 9.c: Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries).
					-	Access to Essential Services		SDG 4 - Quality Education (Target 4.3: Ensure equal access for all to affordable and quality technical, vocational and tertiary education, including university).
					-	Employment Generation		SDG 8 - Good Jobs and Economic Growth (Target 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading, and innovation, including through a focus on high value added and labour-intensive sectors).
						Socioeconomic Advancement and Empowerment		SDG 10 - Reduced Inequalities (Target 10.3: Ensure equal opportunity and reduce inequalities of outcome)



VALUE OF ELIGIBLE ASSETS, CONT.

Under the Sustainable Finance Framework, CCHL intends to maintain a balance of Eligible Assets that have a fair value at least equal to the original principle amount of the Sustainability Bonds at the time of issuance.

Sustainability Bond (NZX ticker)	Sustainability Bond (comprising maximum value)(NZD \$m)	Date of Issuance	Maturity Date
CCH030	\$150m	5 November 2021	5 November 2026

Total Eligible Assets	\$523m
Sustainability Bond	\$150m
Surplus Eligible Assets	\$373m
Eligible Asset Ratio:	3.5x

EY's Limited Assurance (dated September 2022) concludes that nothing came to its attention that causes it to believe that the subject matter (i.e. CCHL's Sustainable Finance Framework and Eligible Asset Schedule/Register) was not prepared, and presented fairly, in all material respects, in accordance with the criteria, which are listed below:

- (1) Green Bond Principles 2021;
- (2) Social Bond Principles 2021;
- (3) Sustainability Bond Guidelines 2021; and
- (4) CCHL's Sustainable Finance Framework (which forms the criteria for assessing asset eligibility).



Note:

¹ The Enable fibre network was constructed by, and is owned by, Enable Networks Limited (ENL), a subsidiary of Enable Services Limited (ESL), which is in turn a wholly owned subsidiary of CCHL. Construction of the fibre network was completed in 2018. The Crown holds one share in ENL which does not confer on it any voting rights or rights to dividends but gives the Crown rights of control over ENL's business activities under certain circumstances (as set out in ENL's constitution). In this Register, ESL means the ESL Group (including ENL).

² \$523m is the fair value of CCHL's equity investment in ESL (independent valuation by Deloitte as at 30 June 2022). However, the fair value of the fibre optic network owned by ENL is \$721m (independent valuation by Deloitte as at 30 June 2022). This valuation of the fibre optic network is larger than the value of CCHL's equity investment in ESL because the equity valuation is net of borrowing by ESL. CCHL has used the lower valuation for the purpose of this Eligible Asset Register. None of ESL's own borrowing has been allocated as green, social or sustainable against the value of the fibre optic network.



VALUE OF SUSTAINABILITY BOND ON ISSUE

\$150m of 3.01% fixed rate bonds, issued on 05-Nov-21,
maturing on 05-Nov-26. Trading as “CCH030” on NZX.





IMPACT OF OUR SUSTAINABILITY BOND

The funds raised through the issue of the sustainability bond were used to refinance debt incurred for the construction of the Enable broadband fibre network. An essential part of the city's infrastructure, the network is highly energy efficient. It has been fundamental in not only underpinning the city's economic growth and providing employment opportunities across the region, but also in enabling the delivery of targeted social and education support to the community.



GREEN BOND PRINCIPLES:

Fibre broadband is one of the most energy efficient ways for homes and businesses to access the internet. According to research by Sapere, released in November 2021, fibre broadband has a lower per-user footprint than all other fixed broadband alternatives in New Zealand for connections of 50 Mbps and above. And, as higher access speeds are achieved, the potential to reduce emissions increases.

Enable has over 31,500 kilometres of fibre within its network installed across Christchurch city, Rolleston, Rangiora and Kaiapoi, providing access to a highly efficient network for more than 143,000 connections, including 129,565 residential addresses (as at 31 July 2022).

That efficiency is also increasing, as Enable continues its roll out of solar energy generation for the buildings that power the fibre network. Three of Enable's 12 Central Offices have had solar panels installed, providing 25 kWh of energy – enough to power up to 20% of the offices' energy requirements per annum.

As part of Enable's focus on efficiency, emissions per active connection have reduced from 1.2kg CO₂e in 2020 to 1.1kg CO₂e in 2022.



SOCIAL BOND PRINCIPLES:

The experience of the COVID-19 pandemic and subsequent lockdowns highlighted how essential the Enable fibre broadband network had become, not only to provide continuity for local business and allow students to maintain their education, but to preserve the social connections of our community.

Before the outbreak of the pandemic, Enable had been working to ensure our community had access to reliable and efficient broadband infrastructure, with all the city's schools and hospitals, as well as over 90% of local businesses within Enable's coverage areas by the end of 2015. By 2022, 201 education providers and 397 healthcare services were connected to the Enable network.

More than 13,700 local businesses are also connected to the network. This has enabled local businesses to embrace new hybrid working models and support local employment, while remaining connected to customers and increasing their participation in the digital economy – in the local community, across the country and around the world.

Even before the impacts of the pandemic highlighted the inequities created by uneven digital access, Enable had been focused on addressing the city's digital divide.

In direct response to the needs of students for distance learning, Enable has continued to partner with the Ministry of Education to provide a free wholesale fibre broadband service to any school student without access to the internet, where there is Enable network infrastructure installed in the home. This service, which is being considered for extension, is designed to provide a model for permanently addressing the needs of digitally excluded school students in greater Christchurch.



Independent Limited Assurance Report to CCHL Management

Conclusion: Based on our limited assurance procedures and the evidence obtained, nothing has come to our attention which causes us to believe that Christchurch City Holdings Limited (CCHL's) Sustainable Bond Report as of 30 June 2022 does not meet, in all material respects, the CCHL Sustainable Finance Framework.

Scope

Ernst & Young Limited ('EY') has performed a limited assurance engagement in relation to CCHL's Sustainable Bond Report as of 30 June 2022 (the 'Subject Matter') in order to conclude whether anything has come to our attention that causes us to believe that the Subject Matter does not meet the requirements of the Criteria stated below.

Subject Matter and Criteria applied by CCHL

In preparing the Subject Matter, specifically the disclosures over: (a) eligible asset valuation as of 30 June 2022, (b) Use of bond proceeds allocations, and (c) Impact reporting metrics: number of health and educational sites connected to the Enable fibre network; calculation of the percentage reduction of Scope 2 energy use emissions per fibre connection; CCHL applied the CCHL Sustainable Finance Framework¹ (the 'Criteria').

CCHL's responsibilities

The management of CCHL is responsible for the collection, preparation, and presentation of the Subject Matter in accordance with the Criteria and for maintaining adequate records and internal controls that are designed to support the sustainable financing process in order to assure the subject matter is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000') and the terms of reference for this engagement as agreed with CCHL on 9 June 2022.

The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Independence

We have maintained our independence and confirm that we have met the requirements of APES 110 *Code of Ethics for Assurance Practitioners* and have the required competencies and experience to conduct this assurance engagement. The firm performs other Advisory engagements for CCHL. Other than these Advisory engagements the firm has no other relationships with, or interests in, CCHL.

Description of procedures performed

A limited assurance engagement consists of making enquiries and applying analytical, and other evidence-gathering procedures sufficient for us to obtain a meaningful level of assurance as the basis for providing a

negative form of conclusion. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the specific activity data, whether due to fraud or error. While we considered the effectiveness of Management's internal controls when determining the nature and extent of our procedures, these procedures were not designed to provide assurance on internal controls.

Our assurance procedures performed included, but were not limited to:

- ▶ Checking CCHL's use of Sustainable Bond proceeds
- ▶ Testing the eligible asset valuation as of 30 June 2022
- ▶ Checking the calculation and accuracy of Impact metrics of the eligible asset

We also performed other procedures as we considered necessary in the circumstances.

Limitations

There are inherent limitations in performing assurance - for example, assurance engagements are based on selective testing of the information being examined - and it is possible that fraud, error, or non-compliance may occur and not be detected. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to ISAE (NZ) 3000 and Sustainability Bond Principles is subjective and will be interpreted differently by different stakeholder groups.

Our assurance was limited to the CCHL's Sustainable Bond Report 2022 and did not include statutory financial statements. Our assurance is limited to policies and procedures in place as of 30 June 2022.

Use of Report

This report is intended solely for the information and use of CCHL and is not intended to be used by anyone other than those specified parties. We therefore do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance that any such third party may place on the Subject Matter is entirely at its own risk. No statement is made as to whether the Criteria are appropriate for any third-party purpose.



Pip Best
EY New Zealand Climate Change and Sustainability
Services Partner
Ernst & Young Limited
22 September 2022

¹ [CCHL Sustainable Finance Framework](#)



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